



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 25, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

**SUBJECT: DEPARTMENT OF HEALTH SERVICES – REVIEW OF PUBLIC
PRIVATE PARTNERSHIP PROGRAM CONTRACT WITH ALTAMED
HEALTH SERVICES, INC.**

At the request of the Department of Health Services (DHS), we reviewed DHS' Public Private Partnership (PPP) program contract and the Department of Public Health's (DPH) HIV/AIDS contract with AltaMed Health Services, Inc. (AltaMed or Agency). DHS asked us to determine if AltaMed appropriately billed the County from Fiscal Years (FYs) 2002-03 through 2004-05 under the PPP contract, because they previously determined that AltaMed had incorrectly billed the PPP program for services that should have been billed to the HIV/AIDS contract.

Under the PPP contract with DHS, AltaMed provides primary health care services to low-income, uninsured patients. Under the HIV/AIDS contract with DPH, AltaMed provides HIV/AIDS-related health care. Services to HIV/AIDS patients for non-HIV/AIDS-related health issues should be billed to the PPP program.

The County pays AltaMed \$84 per patient visit under the PPP contract and pays the Agency its actual cost for services under the HIV/AIDS contract. For FYs 2002-03 through 2004-05, DHS paid AltaMed approximately \$4.5 million under the PPP contract and DPH paid AltaMed approximately \$2.9 million for services under the HIV/AIDS contract.

Summary of Findings

AltaMed incorrectly billed the County approximately \$162,000 for HIV/AIDS patient visits under the PPP contract. Specifically, our review of 1,231 HIV/AIDS patient visits disclosed that AltaMed incorrectly billed both the PPP program and HIV/AIDS contracts for services that should not have been billed to both contracts. Specifically:

- 738 patient visits were appropriately billed to the HIV/AIDS contract, but were inappropriately billed to PPP program.
- 198 patient visits should have been billed to Medi-Cal, Medicare or other third-party payers, and should not have been billed to the County contracts.
- 116 visits had no documentation that the patients were seen by a physician.
- 111 visits would have been eligible for the PPP program. However, AltaMed did not have the required Certificates of Indigency (COI), verifying the patients were eligible for PPP services.
- 68 patient visits were appropriately billed to the PPP program, but were inappropriately billed to the HIV/AIDS contract.

We also noted some services that were incorrectly billed to DPH's HIV/AIDS cost reimbursement contract and discrepancies in AltaMed's cost data. Because of these discrepancies, we could not determine the amount AltaMed incorrectly billed under the HIV/AIDS contract.

DHS management should work with AltaMed to recover the approximately \$162,000 in incorrect billings under the PPP contract. DPH management should also analyze the incorrect billings and cost discrepancies under the HIV/AIDS contract and take action to recover any overpayments. In addition, both DHS and DPH need to ensure that AltaMed bills the County properly for PPP and HIV/AIDS services in the future.

Detailed results of our review and recommendations for corrective action are included in the attachment to this report.

Review of Report

We discussed the results of our review with DHS, DPH and AltaMed management. They all generally agreed with our findings and recommendations. AltaMed maintains that the discrepancies noted in the report were due in part to unclear guidelines on which funding source is the payer of last resort. AltaMed indicated that they intend to fully cooperate with the County to resolve the issues noted in our review.

In DHS' and DPH's attached joint response, they describe the corrective actions they have taken or plan to take to address the recommendations in our report. DHS has indicated that they intend to recover any overpayments made to AltaMed as a result of incorrect billings under the PPP contract. DPH indicated that they will review AltaMed's incorrect billings and cost discrepancies and recover any amounts overpaid under the HIV/AIDS contract. DHS and DPH will provide your Board with periodic updates on their efforts to recover overpayments made to AltaMed.

Please call me if you have any questions, or your staff may contact Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:mwm

Attachments

c: William T Fujioka, Chief Executive Officer
John F. Schunhoff, Ph.D., Interim Director, DHS
Jonathan E. Fielding, M.D., Director and Health Officer, DPH
Castulo de la Rocha, J.D., AltaMed President and Chief Executive Officer
Sachi A. Hamai, Executive Officer
Audit Committee
Public Information Office

**DEPARTMENT OF HEALTH SERVICES
REVIEW OF PUBLIC PRIVATE PARTNERSHIP PROGRAM (PPP) CONTRACT
WITH ALTAMED HEALTH SERVICES, INC.**

Background and Scope

In April 2006, the Department of Health Services' (DHS) Office of Ambulatory Care reviewed a sample of 210 PPP program visits billed by AltaMed from Fiscal Year (FY) 2003-04. They noted 206 visits, totaling \$17,300, that were not reimbursable under the PPP contract because they were HIV/AIDS-related services or the visits/patients' eligibility were not adequately documented. AltaMed subsequently reimbursed DHS the \$17,300. Based on the overbilling, DHS asked us to review all of AltaMed's PPP billings for HIV/AIDS patient visits for FYs 2002-03 through 2004-05.

PPP Contract

Patients are eligible for services under the PPP program if their net family income is equal to or less than 133 $\frac{1}{3}$ % of the federal poverty level and they do not have or qualify for Medi-Cal, Medicare or other third-party coverage. Services that are covered by third-party payers are not eligible for payment under the PPP program and should not be billed to the County. AltaMed is paid an all-inclusive rate of approximately \$84 for each eligible patient visit, including ancillary services (e.g., laboratory, pharmacy, etc.). Eligibility for PPP services is based on a patient's self-certification on the Certificate of Indigency (COI). AltaMed is required to determine patients' PPP eligibility and have patients complete a COI at the initial visit and at least every six months. During FYs 2002-03 through 2004-05, DHS paid AltaMed approximately \$194,000 for 2,313 HIV/AIDS patient visits billed to the PPP contract. Services to HIV/AIDS patients for HIV/AIDS-related health issues cannot be billed to the PPP contract. The cost of HIV/AIDS-related services should be billed to AltaMed's HIV/AIDS contract with DPH. Services to HIV/AIDS patients for non-HIV/AIDS-related health issues should be billed to the PPP contract. DHS monitors AltaMed's compliance with the PPP contract.

Disallowed Visits

We reviewed a statistical sample of 1,231 HIV/AIDS patient visits billed to the PPP contract for FYs 2002-03 through 2004-05, including the FY 2003-04 visits billed to the PPP contract that were not reviewed by DHS, as discussed earlier. The sample represents 53% of the total HIV/AIDS patient visits billed to the PPP contract. Our review indicates that 1,163 (94%) of the visits should not have been billed to the PPP contract. Specifically:

- 738 visits were for HIV/AIDS-related services and the cost of the visits should have been billed only to the HIV/AIDS contract with DPH.
- 198 visits were for patients who had Medi-Cal (106), Medi-Care (9) or other third-party coverage (83).

- 116 visits were not adequately documented in the patients' medical records as reimbursable services. Some medical records indicated that only ancillary services were provided. Ancillary services are not reimbursable without a physician consultation.
- 111 visits where AltaMed did not have the required patient COI.

In addition, the review indicates that while 68 (6%) of the 1,231 visits were correctly billed to the PPP contract, they were also billed to the HIV/AIDS contract. This is discussed under the DPH HIV/AIDS Contract section below.

AltaMed management indicated that these visits were incorrectly billed to the PPP contract because (a) AltaMed staff did not properly screen patients for third-party coverage or PPP eligibility, (b) a lack of understanding of patient services that should be billed to the PPP contract, and (c) missing/incomplete medical records. In addition, AltaMed contends that the incorrect billings were due in part to unclear guidelines regarding which funding source (the County's HIV/AIDS contract, PPP contract or federal Title III) is the payer of last resort.

Based on projecting the results of our statistical sample to the total HIV/AIDS patient visits billed to the PPP program, we estimate that AltaMed owes the County approximately \$162,000 for HIV/AIDS patient visits that were incorrectly billed to the PPP program. DHS should work with AltaMed to recover these funds. To ensure that DHS is not billed for ineligible visits in the future, DHS should require AltaMed to provide its staff additional training on patient screening policies and ensure that completed COIs and adequate visit documentation is maintained in the patients' medical records.

Recommendations

DHS management:

1. **Work with AltaMed to recover the approximately \$162,000 incorrectly billed to the PPP program.**
2. **Require AltaMed to provide its staff additional training on patient screening policies and ensure that completed COIs and adequate visit documentation is maintained in the patients' medical records.**

Medi-Cal Eligibility Processing

Because of the long application/approval process, Medi-Cal retroactively covers patient visits occurring up to three months before the application is submitted and while the application is being processed, which can take at least one month. Patients' names do not appear on the Medi-Cal eligibility list until after their application has been approved.

DHS contracts with American Insurance Administration (AIA) to process PPP claims. AIA is required to compare PPP claims to the Medi-Cal eligibility list to determine if the visits are covered by Medi-Cal. However, the contract only requires AIA to review the PPP claims submitted one month prior to Medi-Cal eligibility being established. As previously indicated, patient visits are covered for a minimum of four months before the patients' names appear on the eligible list.

The limit on AIA's eligibility screening results in the County paying for visits that could be billed to Medi-Cal. As noted above, we identified 106 visits that AltaMed billed to the County that should have been billed to Medi-Cal. It appears that the County could have avoided paying for most of these visits, if AIA had been required to compare PPP claims for four months prior to the current Medi-Cal eligibility list.

DHS should consider amending the AIA contract to require AIA to compare PPP claims for the period of four months prior to the current Medi-Cal eligibility list for all PPP contract clinics. In addition, in order for DHS to recover all PPP payments made for Medi-Cal covered claims, DHS should consider having AIA retroactively compare all PPP visits submitted by all PPP contract clinics over the terms of their contracts to the Medi-Cal eligibility lists, and require the PPP contract clinics to reimburse the County for any Medi-Cal eligible visits.

Recommendations

DHS management:

- 3. Consider amending the AIA contract to require AIA to compare PPP claims for the period of four months prior to the current Medi-Cal eligibility list for all PPP contract clinics.**
- 4. Consider having AIA retroactively compare all PPP visits submitted by all PPP contract clinics over the terms of their contracts to the Medi-Cal eligibility lists, and require the PPP contract clinics to reimburse the County for any Medi-Cal eligible visits.**

DPH HIV/AIDS Contract

AltaMed provides outpatient primary care services to patients for HIV/AIDS-related services under an HIV/AIDS contract with DPH. DPH reimburses AltaMed for the actual cost of services to HIV/AIDS patients. The contract requires AltaMed to maintain documentation of its costs, including employee time records. In addition, services covered by third-parties (e.g., Medicare, private insurance, etc.) should not be billed to the County.

As indicated above, we reviewed 1,231 HIV/AIDS patient visits billed to the PPP contract and noted that the costs of the visits were also billed to the HIV/AIDS contract. However, only 738 of the visits (60%) should have been billed to the HIV/AIDS contract.

The other 493 visits (which includes the 68 patient visits that were appropriately billed to the PPP program) should not have been billed to the HIV/AIDS contract because the patients had/qualified for third-party coverage, the visits were covered by the PPP program as non-HIV/AIDS-related or the visits were not adequately documented.

We also reviewed AltaMed's monthly invoices and supporting documentation for its costs under the DPH contract for a total of three months during FYs 2002-03 through 2004-05. We noted that AltaMed did not appropriately bill DPH and did not always comply with the HIV/AIDS contract. Specifically, AltaMed:

- Did not keep adequate records of the employee time billed to the HIV/AIDS contract. Although AltaMed uses timecards to track the total hours employees work, the hours are not identified by specific programs. AltaMed does not submit documentation, such as timecards, payroll records and/or time studies to support their charges. As a result, DPH cannot verify whether all HIV/AIDS-related costs are accurate. In addition, AltaMed billed DPH approximately \$22,000 in direct salaries and employee benefits, for which they had no timecards or payroll records.
- Did not reimburse the County for third-party payments received. AltaMed indicated that, in addition to DPH's HIV/AIDS contract, they receive Title III funding from the federal government for HIV/AIDS-related services. Both DPH's HIV/AIDS contract and Title III are referred to as "payers of last resort" and require providers to repay any third-party payments received. AltaMed indicated that they do not reimburse the County for third-party payments because they reimburse the federal government under Title III. DPH indicated they are working with the federal government to determine how third-party payments received should be reimbursed.

DPH could have identified these issues if they had properly reviewed AltaMed's invoices and supporting documentation. However, DPH indicated that they only review the invoices to ensure that AltaMed does not exceed the maximum monthly budgeted amount. Although DPH does periodic reviews of AltaMed to ensure contract compliance, DPH does not verify whether all third-party payments received are reimbursed. DPH indicated that they only verify whether AltaMed reimbursed the County for payments received directly from patients. Pending the resolution of how third-party payments should be reimbursed, DPH should ensure that their periodic reviews include verifying that AltaMed appropriately reimburses the County for all third-party payments received.

DPH should work with AltaMed to determine the total costs incorrectly billed to the HIV/AIDS contract and require AltaMed to repay any unsupported costs. DPH should also ensure that AltaMed complies with the contract and maintains documentation supporting the actual costs billed, including the actual hours worked on the HIV/AIDS contract. DPH should also require that time records be submitted with the Agency's monthly invoices. In addition, DPH should ensure that DPH fiscal staff and contract

monitors follow the appropriate procedures when reviewing invoices and consistently perform all procedures included in the contract monitoring instrument, including verifying that AltaMed reimburses DPH for third-party payments, if appropriate.

Recommendations**DPH management:**

- 5. Work with AltaMed to determine the total costs incorrectly billed to the HIV/AIDS contract and require AltaMed to repay any unsupported costs.**
- 6. Ensure AltaMed maintains documentation supporting the actual costs billed, including the actual hours worked on the HIV/AIDS contract, and require that time records be submitted with AltaMed's monthly invoices.**
- 7. Ensure DPH fiscal staff and contract monitors follow the appropriate procedures when reviewing invoices and consistently perform all procedures included in the contract monitoring instrument, including verifying that AltaMed reimburses DPH for third-party payments, if appropriate.**



Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

May 26, 2009

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Wendy L. Watanabe
Auditor-Controller

FROM: John F. Schunhoff, Ph.D. 
Interim Director

SUBJECT: **REVIEW OF PUBLIC PRIVATE PARTNERSHIP
PROGRAM CONTRACT WITH ALTAMED HEALTH
SERVICES, INC.**

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

This is in response to the Auditor-Controller's review of the Department of Health Services' (DHS) Public Private Partnership (PPP) program contract and the Department of Public Health's (DPH) HIV/AIDS contract with AltaMed Health Services, Inc. (AltaMed) that was conducted at the request of DHS.

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Both DHS and DPH generally concur with your recommendations, which are currently in the process of implementation. The attached response reflects DHS's actions related to Recommendations 1 – 4 and DPH's actions related to Recommendations 5 – 7.

Please let me know if you have any questions or need additional information, or your staff may contact Sharon Ryzak in DHS at (213) 240-7901, or Raymond Low in DPH at (323) 890-7522.

*To improve health
through leadership,
service and education.*

JFS:sr

Attachment

c: Jonathan E. Fielding, M.D.
Gregory Polk
Miles Yokota
Sharon Ryzak
Raymond Low



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COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES

SUBJECT: AUDITOR-CONTROLLER'S REVIEW OF PUBLIC PRIVATE PARTNERSHIP
PROGRAM CONTRACT WITH ALTAMED HEALTH SERVICES, INC.

Auditor-Controller Recommendation #1:

DHS management work with AltaMed to recover the approximately \$162,000 incorrectly billed to the PPP program.

DHS Response:

We concur.

The Office of Ambulatory Care (OAC) will work with AltaMed to develop and implement a repayment plan to recover the approximately \$162,000.

Auditor-Controller Recommendation #2:

DHS management require AltaMed to provide its staff additional training on patient screening policies and ensure that completed COIs and adequate visit documentation is maintained in the patients' medical records.

DHS Response:

We concur.

OAC has contacted AltaMed regarding need to provide training for the agency's staff. AltaMed will complete retraining of its staff on screening policies and completion of the COI by June 1, 2009. Documentation of this training will be submitted to OAC. OAC will monitor the visit documentation as part of its routine audit process.

Auditor-Controller Recommendation #3:

DHS management consider amending the AIA contract to require AIA to compare PPP claims for four months prior to the current Medi-Cal eligibility list for all PPP contract clinics.

DHS Response:

We concur.

The Medi-Cal eligibility data which AIA receives from the State via ISD does not include eligibility and retroactive eligibility dates. DHS will work with AIA and ISD to identify and resolve problems with the data. Once that data issue is resolved, DHS will amend the AIA contract to comply with Recommendation 3.

Auditor-Controller Recommendation #4:

DHS management consider having AIA retroactively compare all PPP visits submitted by all PPP contract clinics over the terms of their contracts to the Medi-Cal eligibility lists, and require the PPP contract clinics to reimburse the County for any Medi-Cal eligible visits.

Review of PPP Contract with Altamed
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DHS Response:

We concur.

OAC requested AIA to compare the PPP visits submitted for fiscal year '07-'08 to the Medi-Cal eligibility lists. Of the approximately 500,000 claims, 80 (0.016%) were determined to be for Medi-Cal eligible visits. Reimbursement for these claims has been requested. OAC will have AIA do the comparison annually.

Auditor-Controller Recommendation #5:

DPH management work with AltaMed to determine the total costs incorrectly billed to the HIV/AIDS contract and require AltaMed to repay any unsupported costs.

DPH Response:

We concur.

DPH will continue to ensure that AltaMed bills properly for HIV/AIDS services and will analyze the incorrect billings and cost discrepancies to recover any overpayments.

Auditor-Controller Recommendation #6:

DPH management ensure AltaMed maintains documentation supporting the actual costs billed, including the actual hours worked on the HIV/AIDS contract, and require that time records be submitted with AltaMed's monthly invoices.

DPH Response:

We concur.

DPH agrees that AltaMed must maintain documentation supporting the actual costs billed, including actual hours worked on HIV/AIDS contracts. This requirement is verified during the fiscal reviews conducted by DPH's Contract Monitoring Division or fiscal audits conducted by the Auditor-Controller's Contract Monitoring Division. If lack of supporting documentation is found to be a deficiency, a subsequent Plan of Corrective Action (POCA) is required and followed up for review/verification six months after the audit. Additionally, during any contract period, DPH may at anytime ask for additional time records documentation that supports the personnel costs on any monthly invoice.

Auditor-Controller Recommendation #7:

DPH management ensure DPH fiscal staff and contract monitors follow the appropriate procedures when reviewing invoices and consistently perform all procedures included in the contract monitoring instrument, including verifying that AltaMed reimburses DPH for third-party payments, if appropriate.

DPH Response:

We concur.

DPH's contract monitors will follow the appropriate procedures when reviewing invoices and consistently perform all procedures included in the contract monitoring instrument, including verifying that AltaMed reimburses DPH for third-party payments when appropriate.